15 financial myths demystified
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• Not FDIC Insured
• Not Insured by Any Federal Government Agency
• Not Guaranteed by the Bank (or Savings Association)
• May Go Down in Value
today’s workshop objectives

- Dispel 15 common planning misconceptions:
  - General planning
  - Insurance strategies
  - Investment strategies
  - Retirement planning
  - Estate planning
- Learn about some of your planning options.
- Get information on what you can do to help enhance and protect your assets.
general planning/
preparing for the future
I am still young. I can wait another few years before I start saving.
## Power of Time and Compounding

### Hypothetical Example

<table>
<thead>
<tr>
<th>Age</th>
<th>Years Until 65</th>
<th>Monthly Contribution</th>
<th>Total Contribution</th>
<th>Growth*</th>
<th>Total Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>40</td>
<td>$189</td>
<td>$90,905</td>
<td>$409,095</td>
<td>$500,000</td>
</tr>
<tr>
<td>30</td>
<td>35</td>
<td>$276</td>
<td>$115,920</td>
<td>$384,070</td>
<td>$500,000</td>
</tr>
<tr>
<td>35</td>
<td>30</td>
<td>$407</td>
<td>$146,689</td>
<td>$353,311</td>
<td>$500,000</td>
</tr>
<tr>
<td>40</td>
<td>25</td>
<td>$614</td>
<td>$184,090</td>
<td>$315,905</td>
<td>$500,000</td>
</tr>
<tr>
<td>45</td>
<td>20</td>
<td>$954</td>
<td>$229,023</td>
<td>$270,977</td>
<td>$500,000</td>
</tr>
<tr>
<td>50</td>
<td>15</td>
<td>$1,568</td>
<td>$282,299</td>
<td>$217,701</td>
<td>$500,000</td>
</tr>
</tbody>
</table>

*Chart assumes 7% growth for illustrative purposes. These figures are not intended to indicate the performance of any specific investments. Taxes and fees were not taken into consideration.
myth #2

- I can easily pay for my child’s college tuition because I started an Education IRA.
With a $2,000 annual limit, an Educational IRA may not be enough.

529 Plans are designed to help families save for future college costs and reap special tax benefits.\(^2\)

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### Average Published Tuition and Fees in Constant 2012 Dollars\(^1\)

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>Private Nonprofit Four-Year</th>
<th>Public Four-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980–81</td>
<td>$9,535</td>
<td>$2,119</td>
</tr>
<tr>
<td>1990–91</td>
<td>$15,615</td>
<td>$3,190</td>
</tr>
<tr>
<td>2000–01</td>
<td>$20,277</td>
<td>$4,426</td>
</tr>
<tr>
<td>2011–12</td>
<td>$32,939</td>
<td>$13,228</td>
</tr>
</tbody>
</table>

Sources: 1987-88 and after: Annual Survey of Colleges, the College Board, weighted by full-time undergraduate enrollment; 1986-87 and prior: Integrated Postsecondary Education Data System (IPEDS), U.S. Department of Education, National Center for Education Statistics, weighted by full-time equivalent enrollment. This table was prepared in June 2013.

1. Tuition, fees and room and board. Does not include books and personal expenses. Individual college information provided by collegeboard.com. Costs, dates, policies and programs are subject to change.

2. If you are investing in a 529 plan outside your state of residence, you may lose available state tax benefits. Make sure you understand your state tax laws to get the most from your plan. 529 plans are subject to enrollment, maintenance, administration/management fees and expenses. 529 plans are subject to fluctuation in value and market rise, including loss of principal. Investors should consider the investment objectives, risks, charges, and expenses of 529 plans carefully before purchasing. More information about 529 plans can be found in the issuer’s official statement which can be obtained from a financial professional. Please read the official statement carefully before investing.
myth #3

- A 30-year mortgage will take 30 years to pay off.
Not if you make 13 payments a year

<table>
<thead>
<tr>
<th>Payments per Year</th>
<th>End of Mortgage Period:</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 payments a year</td>
<td>24 Years</td>
<td>Beginning of mortgage, June 2008. Assuming a mortgage of $250,000 at an interest rate of 6%.</td>
</tr>
<tr>
<td>12 payments a year</td>
<td>30 Years</td>
<td>Still owe $85,156 Oct. 2032 - May 2040</td>
</tr>
</tbody>
</table>

This example is a hypothetical intended for illustrative purposes only.
Save in the short and long-term:

- Save in taxes and mortgage interest.
- Own home sooner.
- Free up more money.
myth #4

- The best gift I can give to charity is money.
By giving cash to a charity, you are missing a chance to save on income taxes and give more money to the charity.

Give an appreciated capital asset instead:

- Deduct the value as a charitable gift without paying income tax on the appreciation.
- Charity will acquire the full value of the contribution.
- Charity can cash in stock for market value or invest it to make more money.
Cash or cash equivalents (cash, T-bills, CDs)

- You gift cash
- You receive a $1,000 tax deduction
- Charitable organization receives $1,000

Appreciable assets (stocks, bonds, mutual funds shares, other securities)

- You purchase $1,000 of an investment years ago
- Shares appreciate to current market value of $1,500
- You gift shares
- Charitable organization receives $1,500 investment

Typically, you get a $1,500 tax deduction (without paying income tax on the $500 appreciation).

Can sell or reinvest. Not subject to capital gains tax.

Assumes maximum annual limit on income tax deduction allowable for charitable contributions is not yet met.
Charitable giving with life insurance

- Donor gives money or property to the charity and asks the Foundation to purchase life insurance on a donor’s life.
- The charity is the owner and beneficiary of the policy.
- Alternatively, life insurance currently owned by donor that is no longer needed can be gifted to the charity.

Donor
Insured by life insurance policy

Gifts

The Charity
Owner and beneficiary of the life insurance policy

Policy Premium

Life Insurance Company
insurance strategies/
protecting yourself and your loved ones
My medical insurance will cover any unexpected illnesses that come my way.
70% of people over age 65 will need long-term care in their lifetime.\textsuperscript{1}

Average annual cost for nursing home care is almost $81,000.\textsuperscript{2}

Medical insurance, Medicare won’t cover costs.

Long-term care insurance:
- Helps to protect your assets.
- Helps to preserve an estate for heirs.
- Quality medical care.
- Helps preserve your independence.

Medicaid may offer certain benefits, but only if a person has limited income and assets or the person’s assets have been substantially depleted. The exact income eligibility vary by state.

\textsuperscript{1} Administration on Aging http://longtermcare.gov/the-basics/who-needs-care/
\textsuperscript{2} Genworth Cost of Care Survey, 2012
myth #6

- I have life and disability insurance through my job. I don’t need any more.
In the U.S., a disabling injury occurs every second, a fatal injury occurs every 4 minutes.¹

In many cases, group insurance may offer minimal or restrictive coverage and may not be there if you lose your job.

Social security qualifications are strict.

truth…

Individual insurance can offer more:
- Many insurance policies provide you with the customized coverage.
- Unlike group term life insurance, individual life insurance can also serve as a versatile tool to address other needs.

It’s important to:
- Secure your family’s future in your absence.
- Protect your assets, retirement saving and child’s college fund.
how much life insurance do you need?

“Quick” answers:

- 7 to 10 times your gross income, as a bare minimum.¹
- The U.S. Department of Justice used the following criteria to calculate the amount of compensation to distribute to the families of 9/11 victims:²
  - 12 times annual income to couples without children.
  - 20 times earnings to those who were survived by a spouse and minor children.

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needs analysis

The “comprehensive” answers…

- Requires completion of a comprehensive questionnaire.
- A detailed analysis is then prepared.
- Financial professional can then present you with the printed analysis showing and explaining:
  - The financial risks you are exposed to.
  - The recommended strategies for those risks.
  - The options that are available to you to address your needs.
investment strategies/
smart choices,
smart investors
myth #7

- Investing is too complicated and time-consuming.
Learn about the basics using publicly available resources

- Your investing goals are based on your situation
- A financial professional can save you time
- Update your strategy as your situation and market/investment conditions change
My portfolio will grow if I invest in proven “winners.”
Every investment carries a risk.

Diversification can help manage your overall investment risk.

Take into account your time frame, goals and risk tolerance.

Please Note: Diversification and asset allocation do not guarantee a profit or protect against loss in a declining market.
adjust your risk exposure for your age

Younger Investors (Aggressive)

- **Aggressive Growth**
  - No need for current income
  - Focus on aggressive growth
  - Highest tolerance for risk
  - Long investment horizon

- **Growth**
  - Little need for current income
  - Focus on growth
  - High tolerance for risk
  - Intermediate/long investment horizon

- **Growth with Income**
  - Equal focus on growth and current income
  - Moderate tolerance for risk
  - Intermediate investment horizon

Nearing or In Retirement (Low Risk)

- **Income with Moderate Growth**
  - Need for current income
  - Moderate focus on growth
  - Low tolerance for risk
  - Intermediate investment horizon

- **Income with Capital Preservation**
  - Need for capital preservation and current income
  - No focus on growth
  - Lowest tolerance for risk
  - Shortest investment horizon
retirement planning/
living the retirement of your dreams
I’m about to retire. I need to move all my investments into CDs and bonds.
- We are living longer and healthier than ever.
- If you were age 60 in year 2009, your life expectancy is most likely another quarter of a century!\(^1\)

Your money has to work longer and go further.

Review your portfolio, make choices based on:
- Your risk tolerance
- Your health
- Your life expectancy
- Your investment objectives
- Your experience and expectations
- Your net worth and assets
- Your source of funds

You may be able to look beyond considering only traditional “in-retirement” conservative investments and enhancing your estate.
myth #10

- I “max out” the contributions to my 401(k), so I’m all set for retirement.
A 401(k) is not a savings account:
- Offers investment options.
- Requires strategic planning.

Maximize your retirement funds — choose investments wisely.

Consider the allocation of your contributions.
myth #11

- I don’t need a retirement plan because my successful business will fund all of my retirement needs.
Relying solely on your business to ensure your personal financial well-being is risky:
- Will your business still be a success after you retire?
- Are you overestimating its worth?

Strategic planning protects both your business and personal finances.

Consider the allocation of your contributions:
- Maintain separation (business/personal).
- Implement a business continuation plan.
- Take advantage of financial vehicles available to you.
I can’t retire when I plan to because my retirement income is in jeopardy.
Create a retirement budget to determine your estimated needs

Review all sources of retirement income
- Government programs
- Employer retirement plans
- Personal savings and investments
- Other income

Annuities provide a stream of income for life

A financial professional can help you generate retirement income
myth #13

- When I retire, I’ll just sell all my assets and collect the money. The order in which I do it doesn’t matter.
Timing and sequencing are important to avoid additional taxes and penalties.

- Ex: Many pensions, 401(k)s and annuities are subject to restrictions or penalties for early withdrawals.

Create a planning strategy for retirement.

At retirement:

- A 20+ year retirement?
- Evaluate short and long-term needs.
- Identify assets for liquidation.
- Periodic reviews.
estate planning/
preserve more of your
hard earned assets
myth #14

- Estate plans are only for wealthy people.
Realize your worth.
Create a plan.
Preserve more of what you’ve earned for those you care about.

Cash
Real Estate
Employee benefits
Investments
Life insurance
Pension
Profit sharing
IRA
401(k)

= An estate worthy of planning and protection
myth #15

- Everything in my estate will automatically go to my spouse and/or children.
- Wills are the cornerstone of any estate plan
  - Distribute property according to your explicit wishes
  - You can leave your property to anyone you choose
- Trusts are versatile estate planning vehicles
  - You manage your own assets
  - You control how your assets will be distributed after your death
  - You plan for possible incapacity
- Designating beneficiaries is essential on all accounts that you own
- A team of experts should be consulted
  - Attorney to ensure that your will accomplishes your legacy goals
  - Financial professional to review your portfolio and help meet your financial goals
summary

- The truth — the most important tool you need in planning for your financial future.
- The right information can help you make smart decisions.
- Plan ahead.
where do you want to go from here

- Do it yourself.
- Work with us.
- **Most importantly, don’t procrastinate; timing is important.**
Please complete evaluation form and hand it in before you leave.
Schedule time to meet for a personal consultation.
thank you!